

Idaho Legislative Audits
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Department of Commerce

Management Report on Financial Procedures

Issued: March 15, 2004
Fiscal Year: 2001, 2002, and 2003



EXECUTIVE SUMMARY LEGISLATIVE AUDITS

DEPARTMENT OF COMMERCE

PURPOSE AND SCOPE. We have completed certain financial audit procedures on the Department of Commerce's financial activities that occurred during the fiscal years ended June 30, 2001, 2002, and 2003. These procedures, together with procedures performed at other State agencies, allow us to express our opinion on the statewide basic financial statements prepared by the State Controller's Office. Since a major federal program was present, appropriate procedures and required tests were made in order to issue the federally required *Single Audit Report*.

CONCLUSION. One finding and recommendation is included in this report, that will, if implemented, improve efficiency, effectiveness, compliance, and controls of the Department. Although we discussed other issues for improvement, we conclude that the financial operations of the Department meet accepted standards and that the Department substantially complies with laws, regulations, rules, grants, and contracts for which we tested compliance.

FINDINGS AND RECOMMENDATIONS. We have summarized the finding and recommendation below.

Finding #1. The Department did not accurately report categorized expenditures on the performance report submitted to the U.S. Department of Housing and Urban Development (HUD).

Federal regulation, *OMB Circular A-133 Compliance Supplement*, requires that the Department file an annual performance report with HUD. This performance report is the only report required for this grant. The report is to include both financial and program information. The report covering the period April 2002 through March 2003 was \$315,950 higher than the supporting accounting reports. Since there was no management review prior to this report being submitted to HUD, the errors were not detected.

We recommend that the Department implement a process for preparing this report that includes preparing the internal reports from the underlying accounting records and review of the completed report by management prior to submission to HUD.

PRIOR FINDINGS AND RECOMMENDATIONS. There were no findings and recommendations in the prior report.

AGENCY RESPONSE. The Department has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY. The procedures completed and described above help us express our opinion on the fairness of presentation of the *Statewide Comprehensive Annual Financial Report (CAFR)*. Although no opinion is given on the financial data presented in this report, one is given on all State funds in the *CAFR*, including the financial data presented here.

In fiscal year 2003, the Department was funded by \$6.5 million in General Fund appropriations, \$5 million in the 2% hotel-motel tax, and \$13.1 million in federal funds. The Department spent \$2.6 million in personnel, \$3.4 million in operating expenditures, and \$18.9 million in trustee and benefit payments.

The increases in encumbrances for fiscal years 2002 and 2003 are due to program enhancements identified in the appropriations for the Department. The legislature provided additional funding of \$3 million for the Idaho Rural Community Block Grant program targeted to rural infrastructure in support of economic development. The remainder of the enhancement provided direct funding to support local economic development organizations in rural communities on a cost-sharing matching basis. These funds are encumbered because they are subgranted to local communities for various projects that cannot generally be completed during one fiscal year.

FISCAL YEAR 2001

	General Fund 0001	Indirect Cost Recovery Fund 0125	Tourism Promotion Fund 0212	Federal Fund 0348	Miscellaneous Revenue Fund 0349	Seminars and Publications Fund 0401	Total
Beginning Fund Balance/Appropriation	\$3,345,200	\$5,242	\$4,168,903	\$(74,423)	\$37,696	\$108,099	\$7,590,717
Beginning Encumbrances	147,525	0	0	0	0	0	147,525
Transfers-In	0	53,608	5,114,282	0	124,100	0	5,291,990
Receipts	0	0	0	8,393,490	134,234	391,614	8,919,338
Total Funds Available	\$3,492,725	\$58,850	\$9,283,185	\$8,319,067	\$296,030	\$499,713	\$21,949,570
Disbursements	3,306,126	48,692	5,105,457	8,430,791	213,095	365,700	17,469,861
Transfers-Out	0	0	25,000	53,608	0	0	78,608
Ending Encumbrances	135,736	0	0	0	0	0	135,736
Ending Free Fund Balance/Reversion	\$50,863	\$10,158	\$4,152,728	\$(165,332)	\$82,935	\$134,013	\$4,265,365

FISCAL YEAR 2002

	General Fund 0001	Indirect Cost Recovery Fund 0125	Tourism Promotion Fund 0212	Federal Fund 0348	Miscellaneous Revenue Fund 0349	Seminars and Publications Fund 0401	Total
Beginning Fund Balance/Appropriation	\$7,224,872	\$10,158	\$4,152,728	\$(165,332)	\$82,935	\$134,013	\$11,439,374
Beginning Encumbrances	135,736	0	0	0	0	0	135,736
Transfers-In	0	50,559	4,877,503	0	0	0	4,928,062
Receipts	0	0	0	8,197,209	11,288	188,542	8,397,039
Total Funds Available	\$7,360,608	\$60,717	\$9,030,231	\$8,031,877	\$94,223	\$322,555	\$24,900,211
Disbursements	4,042,567	52,743	4,808,950	7,879,440	52,068	292,617	17,128,385
Transfers-Out	0	0	25,000	50,559	0	0	75,559
Ending Encumbrances	3,119,486	0	0	0	0	0	3,119,486
Ending Free Fund Balance/Reversion	\$198,555	\$7,974	\$4,196,281	\$101,878	\$42,155	\$29,938	\$4,576,781

FISCAL YEAR 2003

	General	Indirect Cost	Tourism		Miscellaneous	Seminars and	
	Fund	Recovery	Promotion	Federal	Revenue	Publications	
	0001	0125	0212	0348	0349	0401	Total
Beginning Fund Balance/Appropriation	\$6,453,800	\$7,974	\$4,196,281	\$101,878	\$42,155	\$29,938	\$10,832,026
Beginning Encumbrances	3,119,486	0	0	0	0	0	3,119,486
Transfers-In	0	48,454	5,012,333	0	100,000	0	5,160,787
Receipts	0	0	0	13,105,284	182,186	259,853	13,547,323
Total Funds Available	\$9,573,286	\$56,428	\$9,208,614	\$13,207,162	\$324,341	\$289,791	\$32,659,622
Disbursements	6,591,022	46,667	4,869,075	13,113,402	125,790	219,472	24,965,428
Transfers-Out	0	0	0	48,454	0	0	48,454
Ending Encumbrances	2,820,995	0	0	0	0	0	2,820,995
Ending Free Fund Balance/Reversion	\$161,269	\$9,761	\$4,339,539	\$45,306	\$198,551	\$70,319	\$4,824,745

OTHER ISSUES. In addition to the finding and recommendation, we discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Department of Commerce and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given us by the director and his staff.

QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:

Ray Ineck, CGFM, Supervisor, Legislative Audits
Eugene Sparks, CPA, CGFM, Managing Auditor

Report IC22003/SA22003

For a copy of the entire audit report , contact Legislative Services Office, Audit Division, State Capitol Building, 700 W. Jefferson Street, P.O. Box 83720, Boise, Idaho 83720-0054, or call 208-334-3540.
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